

Message Text

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ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 L-03 AID-05 CIAE-00 COME-00
EB-08 FRB-03 INR-10 NSAE-00 ICA-11 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 IO-13 NSC-05 SS-15
STR-07 CEA-01 /105 W
-----067644 100557Z /16
R 100400Z APR 78
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 7652

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E.O. 11652: N/A
TAGS: EFIN
SUBJECT: ARAB MONETARY FUND

REFS: (A) STATE 81112, (B) ABU DHABI 851, (C) ABU DHABI 183

1. ON MARCH 30, AMBASSADOR CONVEYED TO ARAB MONETARY FUND DECISION OF IRS TO DENY FUND EXEMPTION FROM U.S. INCOME TAXES UNDER SECTION 892 OF CODE, BECAUSE AMF IS NOT CONSIDERED TO BE AN INTERNATIONAL ORGANIZATION SINCE US NOT A MEMBER AND BECAUSE AMF DOES NOT HAVE SUFFICIENT BROAD SUPRA-NATIONAL POWERS. AMF HAS SINCE BEEN TOLD BY LEGAL FIRM IT EMPLOYED (BRYNE, JACKSON, MILLER , SUMMIT AND JACOBY OF NEW YORK) THAT IRS HAS INFORMED FIRM OF ITS CONCLUSION THAT AMF DOES NOT HAVE SUFFICIENTLY SUBSTANTIAL AND BROAD POWERS TO QUALIFY FOR AN EXEMPTION.

2. MANAGING DIRECTOR JAWAD HASHIM WILL INFORM ARAB FINANCE MINISTERS OR CENTRAL BANK OFFICIALS WHO MAKE UP AMF BOARD OF GOVERNORS OF IRS DECISION. HE PLANS TO DO SO ON AN INFORMAL BASIS WHEN MEETS IN ABU DHABI ON APRIL 25. HOWEVER, HASHIM WOULD STILL LIKE TO APPEAL THIS DECISION WITH U.S. TREASURY AND STATE DEPT OFFICIALS BECAUSE (A) IT HAS IMPORTANT IMPLICATIONS FOR THE AMF'S FUTURE
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OPERATIONS AND (B) HE WANTS TO AVOID HAVING THE ISSUE RAISED INDEPENDENTLY WITH U.S. OFFICIALS BY DIFFERENT ARAB FINANCE MINISTERS. CONSEQUENTLY, HASHIM HAS ASKED IF IT WOULD BE POSSIBLE FOR HIM TO MEET WITH TREASURY SECRETARY BLUMENTHAL SOME TIME BETWEEN JUNE 2 AND 8 IN WASHINGTON, D.C. IF A MEETING CAN BE ARRANGED WITH SECRETARY BLUMENTHAL, HASHIM WOULD ALSO LIKE TO CALL ON UNDER SECRETARY OF STATE FOR

ECONOMIC AFFAIRS COOPER OR ALTERNATIVELY E/B ASSISTANT SECRETARY KATZ. HASHIM HAS INDICATED THAT HE WOULD PLAN TO REVIEW WITH SECRETARY BLUMENTHAL THE AMF'S LENDING POLICY, RECENTLY APPROVED BY ITS BOARD OF DIRECTORS AND WHICH HE EXPECTS WILL BE APPROVED BY AMF BOARD OF GOVERNORS. HE FEELS THIS POLICY WILL DEMONSTRATE PALPABLY THAT AMF HAS SUPRA-NATIONAL POWERS AND THEREFORE DESERVES EXEMPTION UNDER SECTION 892.

3. COMMENT: THE AMF IS AN INSTITUTION WHICH WILL GROW IN IMPORTANCE AND SOPHISTICATION AS IT DEVELOPS (IT EXPECTS TO CALL IN ALL OF ITS \$900 MILLION CAPITAL BY 1980). WE FEEL THAT IT IS WORTHY OF MORE THAN JUST PASSING ATTENTION FROM SENIOR U.S. FINANCIAL DECISION-MAKERS. FUND HAS ALREADY ASSEMBLED A VERY BRIGHT YOUNG GROUP OF ARAB ECONOMISTS IN ITS BOARD OF DIRECTORS (BOOSTING THE ECONOMIC SOPHISTICATION OF ABU DHABI BY 1000 PERCENT). SEVERAL OF THESE ALSO SERVE IN ADDITIONAL CAPACITIES, FOR EXAMPLE AS REPRESENTATIVES ON THE OPEC FUND. SINCE I BELIEVE WE HAVE A REAL INTEREST IN AND POTENTIAL OPPORTUNITIES FOR DEVELOPING A GOOD WORKING RELATIONSHIP WITH AMF, I HOPE THAT IT WILL BE POSSIBLE FOR MANAGING DIRECTOR HASHIM AT LEAST TO MEET WITH SECRETARY BLUMENTHAL. EVEN IF IRS DECISION MUST STAND FOR LEGAL REASONS (ALTHOUGH FROM OUR VANTAGE POINT WE FEEL DECISION IS A MISTAKE FOR ECONOMIC AND POLITICAL REASONS), I CONSIDER IT WOULD BE BETTER FOR OUR FUTURE RELATIONS WITH LIMITED OFFICIAL USE

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AMF AND WITH ITS CONSTITUENT GOVERNMENTS IF HASHIM COULD AT LEAST SAY THAT HE HAD OPPORTUNITY TO PRESENT HIS CASE TO HIGHEST AUTHORITIES IN U.S.
DICKMAN

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEVELOPMENT BANKS, NEGOTIATIONS, TAX RELIEF
Control Number: n/a
Copy: SINGLE
Draft Date: 10 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ABUDH00993
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780153-0870
Format: TEL
From: ABU DHABI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780476/aaaacmq.tel
Line Count: 98
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d2a1aab3-c288-dd11-92da-001cc4696bcc
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 81112, 78 ABU DHABI 851, 78 ABU DHABI 183
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3026276
Secure: OPEN
Status: NATIVE
Subject: ARAB MONETARY FUND
TAGS: EFIN, IRS, ARAB MONETARY FUND
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/d2a1aab3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014